

VZCZCXRO9970
PP RUEHMA RUEHPA
DE RUEHUJA #2225/01 3181244
ZNR UUUUU ZZH
P 131244Z NOV 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 4433
INFO RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHOS/AMCONSUL LAGOS 0252
RUEHZK/ECOWAS COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 002225

SENSITIVE
SIPDIS

DEPARTMENT PASS TO USTR AGAMA
TREASURY FOR PETERS, IERONIMO, HALL
DOC FOR 3317/ITA/OA/KBURRESS
DOC FOR 3130/USFC/OIO/ANESA/DHARRIS

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [EINV](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIA: MAKING SENSE OF THE 2008 BUDGET

REF: A. ABUJA 882
[1](#)B. 07 ABUJA 2417
[1](#)C. 07 ABUJA 2227
[1](#)D. 07 ABUJA 1907
[1](#)E. 07 ABUJA 1793

SENSITIVE BUT UNCLASSIFIED-HANDLE ACCORDINGLY

[1](#)1. (U) Summary. The 2008 amended and supplemented budgets were finally passed in October after much back and forth between the executive branch and the National Assembly. A reluctant compromise was reached, but the key remaining issue is implementation. This poor budget process between the executive and legislative branches calls into question whether the federal government will reach its goals of fulfilling the President's Seven Point Agenda or move toward becoming a top 20 economy by 2020. End summary.

Budget 2008 Background - Slow Process

[1](#)2. (U) In November 2007, President Yar'Adua presented to the National Assembly a 2.4 trillion naira budget (\$20.5 billion) for calendar year 2008 (reftel A). Due to a difference in budget totals between the executive and the legislative branch, the National Assembly did not pass the budget until April 2008. The delay was caused by the National Assembly increasing the budget from 2.4 trillion naira to 2.9 trillion naira (\$24.8 billion). In addition, the National Assembly increased the budget benchmark price for crude oil from \$53.83 per barrel to \$59 per barrel at 2.45 million barrels a day, recurrent expenditure (salaries and overheads) by 78 percent and the capital budget by 285.3 billion naira (\$2.4 billion).

[1](#)3. (U) President Yar'Adua responded by requesting that recurrent expenditure be increased by 20 percent, rather than 78 percent. In addition, he wanted money accrued from the increased benchmark price to be used to eliminate the country's deficit. The National Assembly agreed to some of the president's concerns but eventually passed a budget totaling 2.7 trillion naira (\$23 billion). Yar'Adua initially refused to sign the budget but signed it on April 14, 2008 (reftel A); however, he signed it under the condition that it would be later amended, to which the National Assembly agreed.

Budget Amendment Passes

[1](#)4. (U) In early July, a budget amendment was forwarded to the National Assembly with a reduction from 2.7 trillion naira (\$23 billion) to 2.6 trillion naira (\$22.2 billion). Amounts for statutory transfers (162 billion naira; \$1.4 billion), and for debt service (372 billion naira; \$3.2 billion) were left unchanged. Recurrent expenditure was also left unchanged at 1.3 trillion naira (\$11.1 billion), while capital expenditure was decreased from 860.3

billion naira (\$7.3 billion) to 714 billion naira (\$6.1 billion). The National Assembly passed the amended budget with modifications on October 21. On November 4, Dr. Bright Okogu, Director General of the Budget Office of the Federation, informed EconSpecialist that the differences in passed and proposed budgets were not large enough to warrant the president not signing and the executive branch was satisfied with the final version of the amended budget passed by the National Assembly.

Supplementary Budget Passage

15. (U) On October 23, President Yar'Adua proposed a 683 billion naira (\$5.8 billion) supplementary budget to the National Assembly. Out of \$5.8 billion, 463 billion naira (\$3.9 billion) is allocated for capital expenditure, and 220 billion naira (\$1.9 billion) for recurrent (non-debt) expenditures. A significant proportion of the capital expenditure, 324 billion naira (\$2.8 billion), is earmarked for the power sector to boost Nigeria's electricity supply (septel). The supplementary budget was passed by the Senate on October 30 and by the House of Representatives on November 4.

Poor Execution

16. (SBU) Comment: The puzzling budget process and back and forth between the two branches of government shows lack of communication between the President and the National Assembly. It also demonstrates that methods and procedures for the federal budget are not clearly defined. Recurrent expenditures (salaries and overheads) are usually implemented entirely, but problems arise at the effective implementation stage with the capital budget. Too

ABUJA 00002225 002 OF 002

often the federal government does not release funds on time, resulting in many projects left unfinished or significantly delayed. At this same stage, corruption at all levels of the government appears to be widespread. If the federal government can not work with the National Assembly to prepare, pass and implement the budget in a timely and efficient manner than it makes it very difficult for the administration to accomplish President Yar'Adua's Seven Point Agenda and for Nigeria to become one of the top twenty economies in the world by the year 2020. End Comment.

17. (U) This message was coordinated with ConGen Lagos.

SANDERS